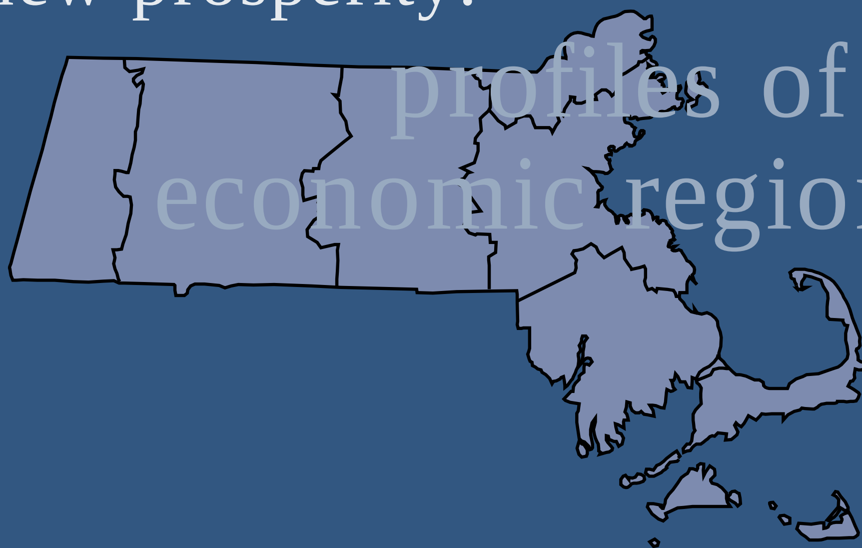
part 2

toward a new prosperity: profiles of our economic region



Part I of this Report presents a perspective on the Commonwealth's economic development during the 1990s. It describes the nature of economic change in Massachusetts and identifies factors now driving our economic success. Part I also lays out a strategic direction for future economic growth. Taken as a whole, it proposes a framework for understanding the Massachusetts economy and for promoting its competitive success.

Part II profiles the seven regional economies in the Commonwealth. These profiles identify each region's economic strengths, challenges, and priorities for economic development. They are the products of economic research and regional outreach meetings. Part II highlights the economic diversity of the Commonwealth. Our regional economies are often quite distinct and have varied priorities. Input from across the Commonwealth helped shape the strategic framework for economic development presented in Part I. The profiles in Part II demonstrate that economic development initiatives must remain sensitive to the differing needs of the regions.

Each profile describes the region's economic performance during the 1990s, with emphasis on the period of statewide economic expansion that occurred between 1993 and 2000. The profiles pay particular attention to the strength of each region's export industries. As discussed in Chapter 2, the competitiveness of a region's export sector is critical to its overall economic performance. The Commonwealth has expanded on the framework developed in the last strategic planning document, *Choosing to Compete*, to include six broadly defined industry clusters for analyzing the Massachusetts export sector. As indicated in Chapter 2, in The Massachusetts Export Sector[1] sidebar, four of these clusters have emerged in recent years and are grounded in the delivery of knowledge-intensive goods and services – Information Technology, Health Care, Financial Services, and Knowledge Creation. "Traditional Manufacturing" is the group of manufacturing industries that are not part of the Information Technology or Health Care clusters. The Commonwealth's final export cluster is Travel and Tourism. Our hotels, transportation providers, automotive rental firms, restaurants, and retailers provide out-of-state travelers and tourists valuable personal experiences and opportunities to conduct business. These industries depend on travel and tourism for a substantial share of their total sales.[2] As discussed in Chapter 2, the Travel and Tourism cluster also provides support services that are attractive to knowledge-based firms, especially in urban areas. As such, travel and tourism generates income for the State and its regions as well as providing support to the knowledge economy.

The Massachusetts Export Sector:

- Information Technology
- Financial Services
- Knowledge Creation
- Health Care
- Traditional Manufacturing
- Travel and Tourism

Our analysis of these export clusters has an important limitation. It relies on data collected by the Massachusetts Division of Employment and Training for the U.S. Department of Labor from all employers in the Commonwealth. Federal rules prohibit the publication of data that clearly reveal information about individual firms. As a result, data on some industries in some regions are not available. The absence of data in our cluster analyses thus does not necessarily mean that the industry is absent in a region, but could indicate a limited number of firms.

The profiles also summarize the demographic changes that took place in each region during the 1990s. Like the rest of the nation, the Commonwealth's population is aging and becoming more diverse. Unlike much of the rest of the nation, however, it is growing slowly. The profiles show that the regions vary in their pace of change. These demographic shifts have profound implications for the development prospects of every region of the Commonwealth.

The profiles also present information on the changing racial composition of each region. This analysis relies on data from the 1990 and 2000 U.S. Censuses, and should be interpreted with care. Reporting membership in a racial group is optional and self-reported. Apparent changes in racial composition might reflect changes in the way respondents identify themselves. In addition, the number of racial categories offered to respondents increased between 1990 and 2000. While these categories have been summarized for this report, choices made in answering the Census may lead to some bias in the data reported here.

The creation of the new category "two or more races" poses a special challenge. It reflects a change in the racial realities of the nation – the presence of racial classification in 2000 that was not fully recognized ten years earlier. The numbers presented in the figure thus reflect racial self-identification according to the categories identified at the time by U.S. Census. Comparisons of figures and changes between 1990 and 2000 must take this into account.

The profiles highlight the economic development priorities of each region. The economic research and regional meetings identified policy priorities that informed the development of six competitive imperatives articulated in Chapter 4.

Competitive Imperatives for the Commonwealth

- Improve the Business Climate to Support All Industry Clusters
- Support Entrepreneurship and Innovation
- Prepare the Workforce of the 21st Century
- Build the Information Infrastructure of the 21st Century
- Ensure that Economic Growth Is Compatible With Community and Environment
- Improve the Outcomes of Government Action

While the regions have many similar needs and challenges, their needs and challenges also vary in important ways. Accordingly, a top priority for Greater Boston may not be critical to the Pioneer Valley. Each profile contains a list of regional policy priorities developed with the input of local stakeholders and informed by in-depth regional economic research.

The profiles highlight the importance of sub-regions. The regional boundaries used in this section conform to those established in *Choosing to Compete*. Preserving these borders allows the reader to compare the current state of a regional economy to its position in the early 1990s. However, various sub-regions in the Commonwealth have emerged in the years since *Choosing to Compete* was released. Where adequate data are available, the profiles present sub-regional analyses in an effort to recognize and highlight these developments.

The profiles provide connections to our strategic framework and policy options. The regional policy priorities defined in the profiles require a response from business leaders, citizens, and policy makers. The conclusion of each profile identifies links to a range of policy options in Part III. Those options are designed to provide policy makers at the regional and statewide levels with alternatives to consider as they address these priorities. These options are intended to promote a healthy conversation that can inform policies that support the long-term competitiveness of the Commonwealth and its regions.

[1] See the sidebar, "The Massachusetts Export Sector" in Chapter 2. This framework appeared in Massachusetts Executive Office of Economic Affairs and The University of Massachusetts, *Choosing to Compete* (Boston: Massachusetts Executive Office of Economic Affairs, 1993) and was expanded upon in the more recent Robert Forrant, Philip Moss, and Chris Tilly, *Knowledge Sector Powerhouse*, (Boston: UMass Donahue Institute, 2001).

[2] David Kass and Sumiye Okubo, "U.S. Travel and Tourism Satellite Accounts for 1996 and 1997." Survey of Current Business, July 2000.